Franchise Tax Board

SUMMARY ANALYSIS OF AMENDED BILL

Author:	Cogdill	Analyst:	Jane Tolman	Bill Number:	AB 2164
Related Bills:	See Prior Analysis	Telephone:	845-6111	Amended Date:	05/06/2002
		Attorney:	Patrick Kusiak	Sponsor:	

SUBJECT: Rural Medical Care Professionals Credit

____ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended ______________________.

____ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

X AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as amended April 8, 2002.

____ FURTHER AMENDMENTS NECESSARY.

____ DEPARTMENT POSITION CHANGED TO ______________________.

X REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED April 8, 2002, STILL APPLIES.

____ OTHER - See comments below.

SUMMARY

This bill would allow a tax credit or deduction to qualified medical professionals who work in areas designated by the federal government as being medically underserved.

SUMMARY OF AMENDMENTS

The May 6, 2002, amendments:

- Eliminated the term "physician" from the credit and substituted the term "qualified medical professional,"
- Defined "qualified medical care professional" for both the credit and the deduction to mean an individual, licensed pursuant to specific chapters of the Business and Professions Code as a doctor or a nurse, who has practiced in a federally-defined qualified Health Care Shortage Area for a minimum of six months,
- Added that a Health Care Shortage Area for both the credit and the deduction must be in California,
- Eliminated the term "gross income" from the deduction and substituted the term "adjusted gross income,"
- Limited the credit carryover period to eight years,
- Provided a repeal date of December 1, 2007, for both the credit and deduction, and
- Added a requirement that the department should report annually on both the credit and the deduction to the extent that data is available.

Board Position:			Legislative Director	Date
____ S	____ NA	____ NP		
____ SA	____ O	____ NAR	Brian Putler	5/9/02
____ N	____ OUA	X PENDING		

The amendments resolved all but two of the concerns identified in the department's analysis of the bill as amended April 8, 2002. These concerns, as well as the new technical concern raised by the amendments, are included below.

POSITION

Pending.

Summary of Suggested Amendments

Department staff is available to assist with amendments to resolve the concerns identified in this analysis.

IMPLEMENTATION CONSIDERATIONS

The credit is based on the medical professional's expenses. It is suggested that the proposed credit be based on the fees, which are not reimbursed by Medi-Cal, as the medical professional may not have any direct expenses associated with that patient's treatment.

The deduction would require the addition of a line to the California Adjustments Schedule (Schedule CA), which may create problems for the department, as this form is already full.

TECHNICAL CONSIDERATIONS

The amendments deleted the word "physician" in one place in the credit and substituted the word "qualified medical professional." However, the word "physician" was left under the definition of "qualified medical expenses." It would appear that this reference should be changed as the definition of "qualified medical professional" includes both doctors and nurses.

The amendments added the phrase "qualified medical professional" and also added the phrase "qualified medical **care** professional" to the credit provision only (the deduction provision added the latter phrase only in two places). It appears that the two different phrases are intended to have the same meaning, but an amendment to clarify the author's intent on this issue would ease administration of the credit.

ECONOMIC IMPACT

Revenue Estimate

Due to data limitations, revenue losses reflect general orders of magnitude. The total impact of this bill is on the order of $20 million annually beginning in 2002-03.

I. It is estimated that a credit equal to 25% of a physician's fees not reimbursed by Medi-Cal will result in losses on the order of $10 million per year (1,100 physicians x $10,000 average tax liability) beginning in 2002-03.

II. It is estimated that a 25% deduction available to nurses and midwives employed in a Health Professional Shortage Area (HPSA) will result in revenue losses on the order of $10 million per year (15,000 x $50,000 x 25% x 5% average tax rate) beginning in 2002-03.

Revenue losses that will result from this proposal depend on several factors such as the number of qualified medical care professionals that provide or would start to provide medical services in qualified HPSAs, the dollar amount of services not reimbursed by Medi-Cal for beneficiaries receiving services in these areas, the taxable income reported by these medical professionals in any given year as well as the utilization of the credit or deduction for each taxable year.

Revenue Discussion

A qualified medical care professional is any individual licensed under Division 2 of the Business and Professions Code pursuant to Chapter 5 (commencing with Section 2000) or Chapter 6 (commencing with Section 2700). Essentially, this proposal applies to physicians, surgeons, licensed midwives and nurses. For purposes of this proposal, it is assumed the six-month requirement applies to individuals practicing on a consistent (daily) basis in the HPSAs and not intermittent employment over a six-month period.

The proposal as amended April 8, 2002, covers qualified HPSAs, as designated by the United States Department of Health and Human Services. A HPSA includes inner city and rural communities that have an inadequate supply of primary care physicians, dentists and mental health professionals. The primary criterion used for the designation of a primary care physician HPSA is if the area has a population to full-time-equivalent primary care physician ratio of at least 3,500 to 1. The dental and mental health professional HPSAs have separate criteria.

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